1 JUN 1973

MEMORANDUM FOR: Director of National Estimates
Director of Planning, Programming, and
Budgeting
General Counsel
Inspector General
Legislative Counsel

FROM: Secretary, CIA Management Committee WEC

SUBJECT: CIA Management System: Performance Evaluation
and Annual Report

1. The attached directive outlines the procedures for handling the performance evaluation and annual report requirements of the CIA Management System.

2. As you will note from the directive, in reporting on performance in FY 1973 it will be necessary to assume that you were operating against already approved objectives. In addition, if you have not yet formulated your objectives for FY 1974 and FY 1975, you should have them ready for review and approval at the Annual Conference this June.

3. The format for you to follow is the format for a component Annual Report as indicated in Attachment B.

4. Your report for FY 1973 will be submitted to the Secretary, CIA Management Committee by 1 September 1973.

Attachments:
As stated

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CIA MANAGEMENT SYSTEM:

PERFORMANCE EVALUATION AND ANNUAL REPORT

1. An Agency performance management system has recently been inaugurated. This system includes the issuance of objectives by the DCI (within the context of Agency mission and Community objectives), by the Deputy Directors for their Directorates, and by the heads of Components (Offices, Divisions within the DDO). Approved objectives are to be the basis for evaluation of performance on an annual basis. An Annual Report will be the principal vehicle for component self-evaluation and for reporting to higher management on performance.

2. The first full cycle of the performance management system began with the announcement of DCI FY 1974 and FY 1975 priorities and general objectives in December 1972. These DCI priorities and objectives, in conjunction with budget and manpower levels issued by OMB, provided the basis for the development of Directorate and Component objectives by the Directorate and Component chiefs respectively. Directorate and Component Operating Program (Program Execution Plan) submissions incorporated DCI, Deputy Director and Component objectives (as appropriate) for submission by 30 April 1973. The Directorate and Component objectives will be reviewed and approved at the Director's
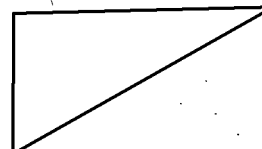
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Planning Conference in June. Approved Objectives will thereupon become effective.

3. Annual Reports will be prepared by each Directorate and Component. The Reports will indicate accomplishment, progress or shortfall with respect to each objective and will include appropriate analysis and evaluation. The Component Annual Reports will constitute a principal input into Directorate program review processes. They will also serve as Component annual histories.

4. Because the performance management system has just been inaugurated (beginning December 1972) and final objectives will be reviewed and approved in June, Annual Reports due this coming September and October (see paragraph 5, below) will address the approved objectives as if they had been issued at the beginning of FY 1973 and, in effect, give a status report with respect to each of the Objectives as of 30 June 1973. This should be feasible since most of the DCI and DD objectives relate to one or another of the longstanding missions of the Directorates and Components. In subsequent years the Annual Reports will follow a full objective identification and performance cycle. The FY 1974 Annual Report, for example, will deal with the objectives which were identified in December 1972 and approved in June 1973 for implementation.

5. Component reports for FY 1973 will be submitted simultaneously to the appropriate Deputy Director and the Secretary, CIA Management Committee by 1 September 1973. Directorate reports will be due to the Secretary, CIA Management Committee, on 1 October. See attachments for formats of Component and Directorate Annual Reports.

6. The Agency Annual Report will be completed by O/PPB by 1 November and provided to the National Security Council and the President's Foreign Intelligence Advisory Board.

Attachments:

    A - Directorate Annual Report

    B - Component Annual Report

DIRECTORATE ANNUAL REPORT

SECTION I.   DIRECTORATE LONG RANGE GOALS AND STRATEGIES

   1. A statement of the overall, long range operating

and management goals of the Directorate, for the purpose

of placing discussion of specific DCI and Deputy Director

objectives in perspective.

SECTION II.   OBJECTIVES AND RESULTS

   2. DCI and Deputy Director objectives will be listed

and a factual status report on each provided. The Directorate

need not be constrained by a specific format as prescribed

for the Component Annual Report. For an objective which

has been delegated to one and only one action Component,

the Directorate Report may refer to the Annual Report of

that Component and need not repeat or recapitulate the

contents of the report, unless the Deputy Director has

substantial additional or modifying comment to make.

For objectives delegated to more than one Component, a

synthesis or overview of total progress should be made,

referring to Component Annual Reports, as appropriate.

In this latter case, particular focus should be placed on

integration, cooperation and mutual support of the

several concerned Components.

SECTION III.   EVALUATION OF COMPONENT PERFORMANCE

      3.   The Deputy Director will take each Component

individually and rate first performance against objectives

and then the overall performance of the Component. As a

minimum performance ratings will be made for all DCI and

Directorate objectives. Components' objectives will be

rated individually or as a group in accordance with their

significance to Agency management. The rating system

to be used is the five-step system as presented on page 16

of the Program Call of December 1972. This rating will

reflect the subjective evaluation of the Deputy Director.

The Deputy Director will, however, develop, utilize and

cite such systematic reviews of Component performance

as possible in order to buttress his evaluation.

SECTION IV.   DIRECTORATE OUTPUT: ANALYSIS AND EVALUATION

      4.   The Directorate will define and identify its major

categories of output and the major external customers or

recipients of each category of output. It will describe

measures in existence and additional steps taken to

ascertain customer needs and requirements and the

degree of their satisfaction. Statistical and numerical

displays of production may be used, as appropriate,

to demonstrate the results of Directorate output analysis

and evaluation.

5. A narrative evaluation of production will be made,

in order to prevent a "numbers game" from obscuring

outstanding or high impact individual accomplishments,

and in order to provide qualitative evaluation.

SECTION V.   RECOMMENDATIONS

6. Same as Section V of Component Annual Report.

COMPONENT ANNUAL REPORT

SECTION I.   GENERAL

1. Section I of the Component Annual Report is to provide
an introduction to and a context for the discussion of accomplish-
ments with respect to specific objectives in Section II. This
introduction may thus appropriately discuss the external
operating situation or environment of the Component, focusing
on those aspects of the situation which facilitate or impede the
accomplishment of its mission. Specific events or developments
which occurred during the reporting period and which affected
the general accomplishment of the Component's objectives should
be identified.

2. Section I also may include an overview of the operating
and management strategies of the Component in pursuance of its
mission. It may be necessary, for example, for a Component
to explain its general approach to its missions and objectives,
in order to render separate discussions of its specific objectives
intelligible.

3. Section I may also identify and address factors of a
general nature (non-operational) which affected performance
negatively or positively. For example, a renewed outbreak of

the Arab-Israeli war should be an external situational factor

which required diversion of resources and slow-down of

other activities, and should be mentioned under paragraph 1,

above, in discussing the operating situation. On the other

hand, a reorganization or realignment within a Directorate

which substantially affected the reporting component could

be identified as a general factor of an internal nature.

4. Changes in objectives midstream (e.g., issuance

of a new objective halfway through the operating year)

should be identified and discussed.

SECTION II. ACCOMPLISHMENTS

5. This Section will address each objective of the

Component successively, and discuss results achieved--

full accomplishment, degree of progress or lack of

progress--and other factors, in accordance with the

following outline:

    a. Objective 1 (identify either DCI, DD

or Component)

        (1) Statement of Objective

        (2) Action Plan

           A paragraph to describe the plan followed

and explain "benchmarks," "milestones"

(intermediate task targets), or standards

used for measuring progress.

(3) Progress and Shortfall

Description of results achieved: full

accomplishment, or failing full accomplish-

ment, a measure of the progress made during

the year in terms of "milestones" passed,

actions completed, or intermediate

standards reached. This section is

the heart of the report and should be

treated fully and seriously, avoiding

any masking of shortfall or any short-

fall, or treatment that makes lack of

progress look like success. This section

should be developed in adequate detail and

fact as to communicate and demonstrate

exactly where the Component stands along

the scale of achievement. It is not expected

that all objectives can be fully or even satis-

factorily accomplished in the given time frames.

This section should be developed on a statistical

or quantitative basis to the extent that statistics

or quantitative measurements are applicable and

useful to illustrate or prove a point. The numbers

should then be fleshed out in factual and descriptive

narrative.

(4) Problems

Problems and obstacles relative to the objective

and encountered in the course of implementing the

action program should be identified and described.

Measures taken to overcome problems and obstacles

should be identified, or measures taken to assure

that the obstacles will not reoccur should be

described.

(5) Future Plans

The Component may wish to modify the action

plan, or to develop a new one. New benchmarks

should be specified.

(6) Costs

Dollar costs and manyear commitment to the

objective should be estimated. This will undoubtedly

require estimating and pro-rating across projects,

activities and organizational sub-units. Accounting

precision is not necessary, but the approximations

should nonetheless be as good as possible.
Components should retain for at least one
year the worksheets used to develop these
estimates.

    b. Objective 2.

       As above

    c. Objective 3.

       etc.

SECTION III.   OTHER ACTIVITIES

     6. This section should be used to identify and describe
significant activities conducted within or by the Component
which are not subsumed under one of the listed DCI, DD or
Component objectives. Each separate significant activity
should carry a dollar cost and manyear estimate in
accordance with Section II above.

     7. For example, a Component may have one or several
major activities which are routine in nature and constitute
infrastructure for the visible outputs of the Component but
are not easily identifiable with any single output.

SECTION IV.   RESOURCES SUMMARY

     8. The Component will merely pull the dollar and man-
year estimates from Sections II and III above and recapitulate
them in a single table.

SECTION V.   RECOMMENDATIONS

9. In this section the Component may provide a free discussion of the objectives, feasibility, strategy changes, or resource or other requirements. The Component may wish to recommend modification or deletion of certain objectives, addition of new objectives. It may wish to discuss new equipment ideas or requirements, new or different training or personnel requirements, and so on. The common thread for such discussions, analyses and recommendations is the problems encountered and experiences gained in attempting to meet the Component's specified objectives.